

VIRGINIA

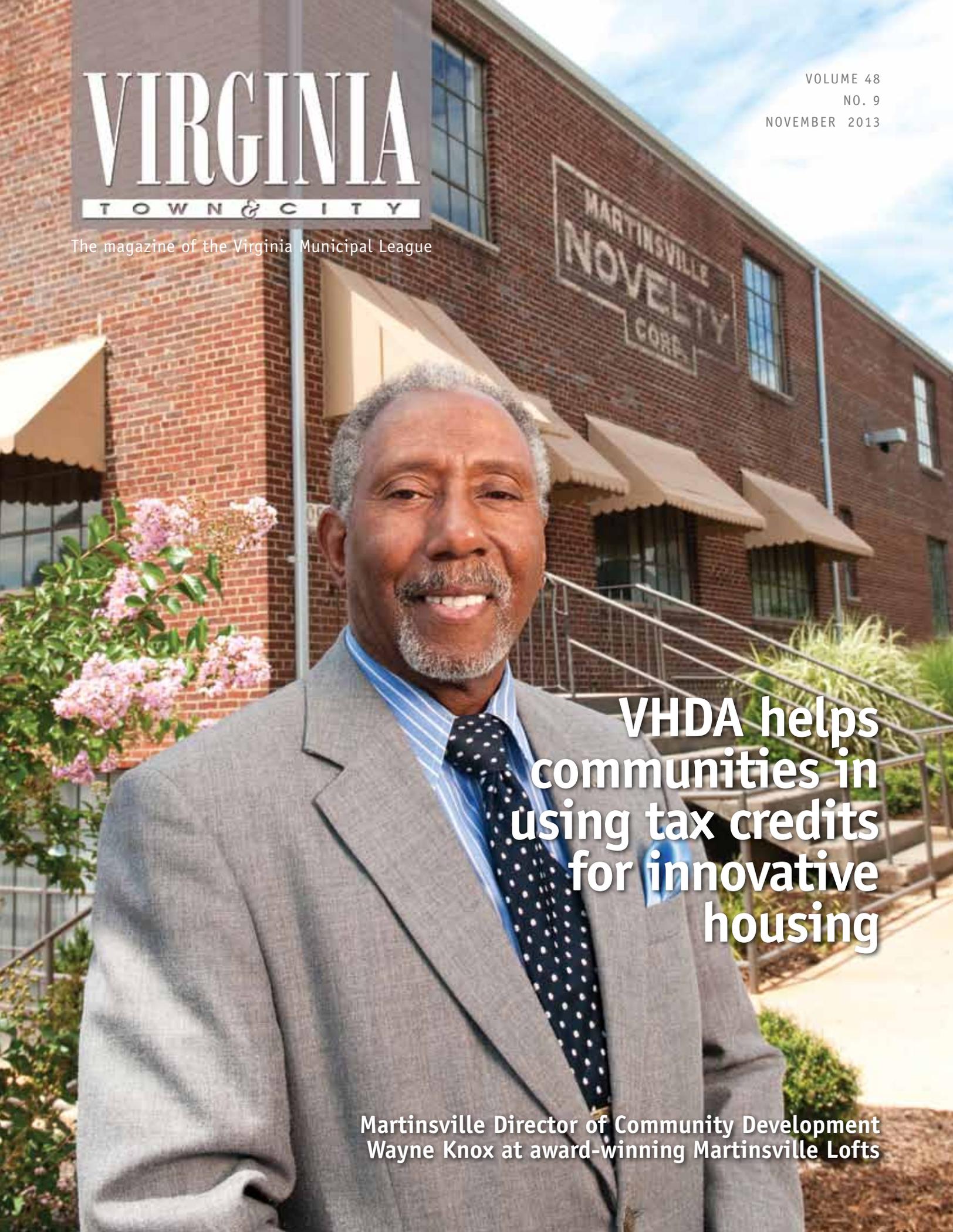
TOWN & CITY

The magazine of the Virginia Municipal League

VOLUME 48

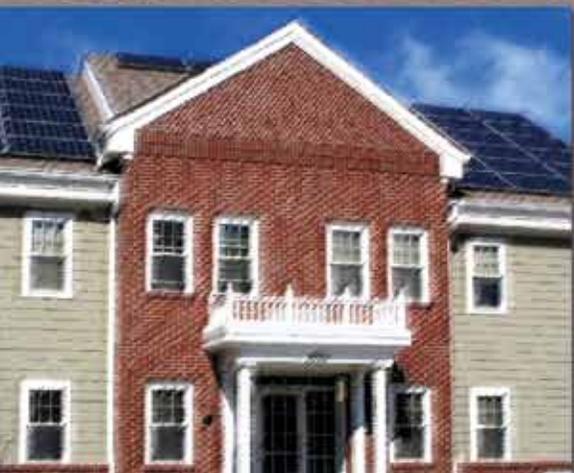
NO. 9

NOVEMBER 2013

A photograph of Wayne Knox, the Martinsville Director of Community Development, standing in front of the award-winning Martinsville Lofts. He is wearing a grey suit, a blue striped shirt, and a dark tie with white polka dots. The building behind him is a brick structure with a sign that reads "MARTINSVILLE NOVELTY CORE". There are several windows with tan awnings and a set of stairs leading up to the building. A flowering bush with pink blossoms is visible on the left side of the frame.

**VHDA helps
communities in
using tax credits
for innovative
housing**

**Martinsville Director of Community Development
Wayne Knox at award-winning Martinsville Lofts**



The surprising appeal of affordable housing

How do you go from concerns about NIMBY (not in my back yard) to “what a great addition to our community?” In cities and towns across Virginia, the answer is by taking an innovative approach to affordable housing.

It can start with a historic diamond in the rough, like Martinsville’s 1929 furniture factory or a former grand hotel in Roanoke. It can also grow from the ground up, like the new seniors’ apartments in Richmond’s Church Hill neighborhood.

With the right partnerships, financing tax credits, first-class construction and outstanding property management, municipalities are creating much more than housing that’s affordable. They’re creating remarkable, livable environments that people want to call home, that foster community pride and benefit local economies.

Read about the latest trends in affordable housing in this special 15-page section that follows.

Low-Income Housing Tax Credits

Think of them as affordable housing's unsung hero

THE DICTIONARY DEFINES an unsung hero as someone “who makes a substantive yet unrecognized contribution.” The definition is a perfect analogy for Low-Income Housing Tax Credits (LIHTC) – a sometimes misunderstood federal program that has quietly worked behind the scenes for almost three decades to help bring affordable rental housing to communities across Virginia. These housing tax credits, administered by the Virginia Housing Development Authority (VHDA), help encourage the creation of quality affordable homes for hardworking families and people with special needs, seniors, veterans and the homeless. They’re also an important economic

By Ann Brown

developers receive the benefit of tax credits they can sell to investors who use them to offset their federal tax liability.

The LIHTC program successfully demonstrates what government and the private sector can do when they work together. Unlike in a direct funding program, private investors (not the federal government) provide the money up front and bear the financial risk. Each state receives an allocation of credits based on population. Then, the state housing authority makes credits available to developments within its state. This helps ensure that rental housing meets established statewide priorities. Results of this private/government

financing partnership can be seen throughout the Commonwealth. From Buchanan Gardens Apartments in Arlington County to The Rivers Apartments in Chesapeake to Martinsville Lofts in Martinsville, each apartment community is one that Virginia’s diverse neighborhoods – and neighbors – can embrace.

Reusing manufacturing space

“With any project, the only way to make it possible and positive, is to have all the right partners at the table on the front end. All parties must be willing to be in it for the long haul, and must be patient. Government officials, residents,

developers, financing agencies, and current and potential residents, all need to buy in,” said Martinsville’s Director of Community Development Wayne D. P. Knox. “In the case of the **Martinsville Lofts**, all parties, even the skeptics, were invited to the table and ... a positive outcome was had by all.”

It all started in 1929, when the Martinsville Novelty Corporation – one of many early 20th century furniture factories that once stood within the city limits – opened and began producing small pieces of furniture known as “novelties.” In addition to the three-story main factory building, the complex also includes an adjacent wood storage area, drying kilns, a storage building and a factory restaurant, as well as a Quonset hut added in the late 40s/early 50s. Transforming all of these historically-significant buildings into one cohesive



Martinsville Lofts, originally a historic factory building in Martinsville, has been transformed into an inviting and affordable residential community. Photo by Doug Buerlein.

development catalyst for Virginia, since the construction and ongoing operations of affordable rental housing attract significant private investment and generate substantial tax revenue for the Commonwealth and its municipalities.

Created by the Tax Reform Act of 1986, this program gives the nation’s state and local housing finance agencies the equivalent of nearly \$7.8 billion in annual budget authority to issue tax credits. The credits are used to acquire and rehabilitate or build affordable rental housing. In exchange for producing this housing,

and inviting affordable residential community was a challenge, since the project had to combine the very different requirements of the federal and state historic tax credit programs with the federal LIHTC program.

“What surprised me the most about Martinsville Lofts was the amount of paperwork involved with putting together such a project, and the people who have the skills to make it possible. It always amazes me to see a project unfold, as the numbers add up and the paperwork follows it,” Knox said.

Landmark Asset Services, Inc. of Winston-Salem, N.C., along with VHDA LIHTC specialists, met the adaptive reuse challenges, and today Martinsville Novelty is serving a new role as affordable housing for families earning 60 percent or less of the area median income (AMI). The 60 loft-style apartments spread across three buildings include seven unique townhouse-style units built into the metal-clad Quonset hut. All are EarthCraft certified, feature Universal Design elements and are managed by a VHDA-certified management company. The complex also includes an unheated covered recreational community area and a playground for younger residents.

What was most surprising about Martinsville Lofts for the developer? “In all honesty, just how beautiful the finished project was,” said R. Taylor Stanfield, president and CEO of Landmark. “The site consisted of four separate buildings and one of the buildings included three distinct areas. In the end, the project retained the historic character of a former furniture manufacturing company while at the same time blending modern elements creating a cohesiveness that made everything work perfectly.”

In addition to creatively leveraging the financing needed, innovative thinking also earned this community

a J. Timothy Anderson Award for Most Innovative Adaptive Reuse from the National Housing & Rehabilitation Association. Martinsville Lofts has also received a Sustainable Leadership Award from EarthCraft Virginia for multifamily renovation.

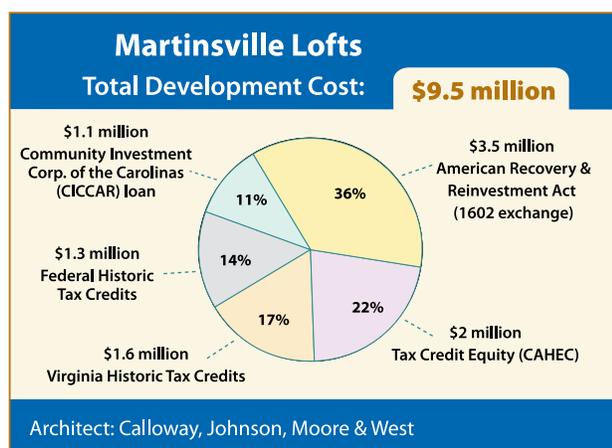
“The community has responded quite favorably to the project. Many words of praise have been heard,” Knox said. “It has also inspired other property owners to seriously consider renovating some of their properties for residential use.”

Rehabilitating viable housing

Built in 1949, the 11 brick apartment buildings that comprise Arlington County’s **Buchanan Gardens** had seen better days when it was bought in 2009 for rede-

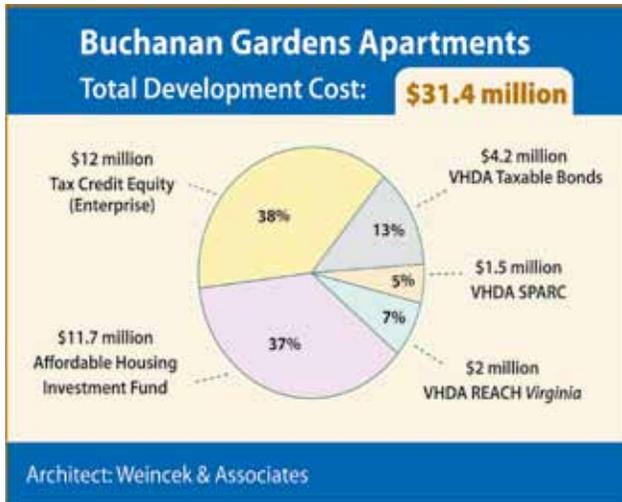


Buchanan Gardens, located in Arlington County, features 11 updated buildings that now provide more family-sized apartments, as well as secured bike parking, a community center and a playground. Photo © Eric Taylor, EricTaylorPhoto.com.



velopment by the Arlington Partnership for Affordable Housing (APAH). The thinking was that a large amount of TLC and leveraged financing would create an attractive, modernized affordable housing community.

Comprehensive renovations to update the community included expanding the number of two- and three-bedroom apartment units, as well as increasing their size. Upgraded plumbing and electrical capacity, as well as new tankless water heaters, energy-efficient heating and central air conditioning, kitchens and baths, were phased in across the community during the 18-month process. Other improvements include 12 barrier-free units, a new playground, a new community center that houses an after-school program and a computer center, and secured bicycle parking located throughout the complex.



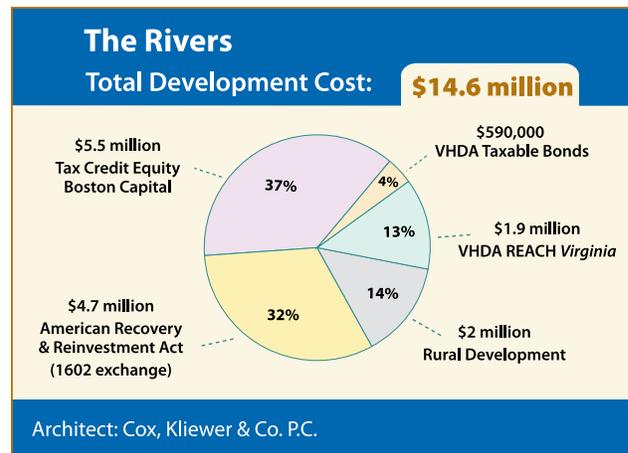
“There are always concerns when undertaking a new project – cost estimates, timing, choosing the right general contractor and other third party consultants. Missing a critical element of the due diligence could come back to haunt the developer if missed in the early stages,” said APAH CEO Nina Janopaul. “We found VHDA’s construction control staff extremely responsive, thorough, reasonable and willing to work with APAH to resolve any problems quickly.”

The extensive \$31.4 million revitalization that serves 111 families was financed using \$11.7 million from Arlington County’s Affordable Housing Investment Fund,

\$7.7 million in VHDA funding (taxable bonds, SPARC and REACH Virginia) and \$12 million in federal Low-Income Housing Tax Credits.

APAH worked to retain as many of the existing low-income residents as possible with a county-funded Tenant Assistant Fund and thoughtful relocation plan.

“We are very proud of Buchanan Gardens Apartments. It is 100 percent leased, and 70 percent of our residents who were with us when construction began returned to the property when it was completed. Today, we have a vibrant, tight-knit community that lives near their work in close-in Arlington,” said Janopaul.



The Rivers, located in Chesapeake, is another example of a successful rehabilitation. This property, which is EarthCraft certified, offers low utility costs and ENERGY STAR® appliances. The community features 48 one-bedroom and 192 two-bedroom apartments – 240 remodeled units in total – as well as a community center with a computer lab, a playground and a laundry room. Twenty-four apartments meet Uniform Federal Accessibility Standards with ADA floor plans that include roll-in showers and project-based rental subsidy.

In addition, 24 units in the revitalized apartment complex provide affordable housing for families or individuals earning 40 percent or less of the area median income (AMI). The remaining 216 units will serve those making 50 percent or less AMI.

“When the residents learned about the details of the planned improvement through our community meetings, they were extremely excited about the renovations to both their individual apartments and the community as a whole,” said Carl Hardee, vice president of The Lawson Companies, the developer of the property. “In addition, the City of Chesapeake, the police department, and the zoning and planning offices were very pleased with the planned improvements to the property and the value it added to the surrounding area.”

The Lawson Companies, an active tax credit devel-



The Rivers, in Chesapeake, underwent extensive exterior rehabilitation. In addition, each of the 240 apartments – which now have EarthCraft certification – offers residents healthy living, low utility costs and sustainable products. Photos courtesy of Lawson Realty Group.

oper since 1988, has completed more than a dozen tax credit developments in Virginia and South Carolina.

“There is a sense of true partnership in working with VHDA. Everyone involved is dedicated to the project, from construction management through the closing team. VHDA has been and continues to be a great

Revealing something new

Located in Richmond’s historic Church Hill neighborhood on the site where an industrial lumber mill once operated, Beckstoffer’s Mill Lofts & Apartments opened in March 2012, featuring 22 mixed-income apartments. Wanting to continue on its success with Beckstoffer’s Mill, the Better Housing Coalition (BHC) put together a deal to expand the affordable housing development to include a three-story, 32-unit and a one-story, seven-unit apartment complex for seniors.

“**Somanath Senior Apartments at Beckstoffer’s** is the second phase of a mixed-income community the Better Housing Coalition is developing to revitalize an entire city block in the North Church Hill neighborhood. It’s an anchor component of a larger campaign to produce and preserve 150 affordable homes in this community,” said Bernard Rogers, BHC senior project manager. “The apartments are named in honor of

T.K. Somanath, BHC’s founding CEO who retired in 2013 after 24 years of leadership.”

BHC’s eighth community for low-income seniors, Somanath Senior Apartments are for residents age 55 and older with incomes of 50 percent or less of AMI. Maximum income is \$25,900; the average annual income of the seniors served is \$11,000.

Universal Design makes both buildings fully accessible and although both buildings contain a variety of green components, the one-story building is among only a few net-zero energy apartments for seniors nationwide. The intent, Rogers said, is for the building to produce as much energy as its residents consume. Some of the building’s green features include: Energy Star™ appliances, Water Sense plumbing fixtures, ductless mini-split HVAC systems, Energy Recovery Ventilation and 206 photo-voltaic panels with a net-metering system that gives BHC credit for electricity when the building produces more energy than its residents consume. The net-zero building also incorporates six solar thermal panels that provide water heating.

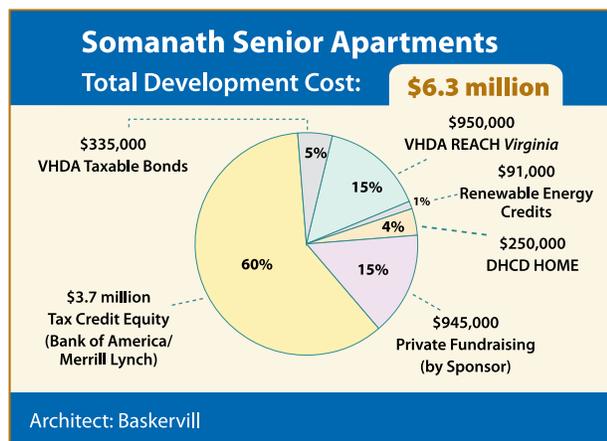
The \$6.3 million development was financed using \$3.7 million in federal Low-Income Housing Tax Credits, \$91,000 in Renewable Energy credits, \$1.3 million in VHDA funding (taxable bonds and REACH Virginia), a \$250,000 HOME loan from the Virginia Department of Housing and Community Development and \$945,000 in private fundraising by the sponsor.



Somanath Senior Apartments at Beckstoffer’s, located in Richmond’s Church Hill neighborhood, feature a rooftop sensory garden and Universal Design elements to make them fully accessible for the community’s age 55+ residents. Photo courtesy of Chris Cunningham Photography.

business partner,” Hardee said.

The \$14.6 million revitalization of The Rivers Apartments was financed with \$5.5 million in Low-Income Housing Tax Credits leveraged with Rural Development funding, American Recovery and Reinvestment Act 1602 Exchange funds and VHDA funding (taxable bonds and REACH Virginia).





South Bay Apartments, new construction located in Portsmouth, is home to 60 formerly homeless single adults from the South Hampton Roads region. Onsite support services help residents improve their housing stability and self-sufficiency. Photo courtesy of Virginia Supportive Housing.

South Bay Apartments was built from the ground up by non-profit developer Virginia Supportive Housing (VSH) to serve homeless individuals in South Hampton Roads. Each of the 60 supportive studio apartments (SSA) has about 380 square feet and includes a bed, dresser, table, chair, kitchenette and full bathroom. Six of the units in this EarthCraft certified property are completely accessible. In addition to apartments, the complex contains a community room, laundry facilities, a computer room, a fitness room and staff offices. An extensive security system includes a front desk that is staffed 16 hours a day, with a resident monitor on duty at night.

Residents sign leases and pay 30 percent of their income in rent; minimum monthly payment from a resident is \$50. Onsite supportive services are avail-

able to help residents stabilize and improve their health, incomes, housing stability and increase their self-sufficiency. Forty-two South Bay units serve Portsmouth residents, with six units each reserved for residents of Chesapeake, Norfolk and Virginia Beach.

The four participating municipalities provided funding and rental subsidies for the \$6.9 million apartment complex, and the Portsmouth Redevelopment and Housing Authority donated the land. Additional funding sources included the syndication of federal Low-Income Housing Tax Credits, loans from the Virginia Department of Housing and Community Development (DHCD) and VHDA, and grants from private foundations.

“We appreciated the opportunity to collaborate with VHDA on the Low-Income Housing Tax Credit Program, and on various real estate loan products tailored to the various phases of a real estate development,” said VSH Housing Development Officer Julie Anderson. “We also liked the customer service VHDA provided, with questions answered quickly and in person.”

Rethinking your community's affordable housing options

Attractive, well-built and well-managed rental properties are popular with Virginians, no matter what part of the Commonwealth they call home. They're also more affordable for residents, developers and communities when they're financed, in part, with Low-Income Housing Tax Credits. Navigating the revitalization journey from ambitious idea to amazing reality is easier than you might think.

“What I liked best about working with VHDA was the flow of information that was transmitted all ways – from the developer to the city and back again to VHDA,” said Knox, referring to Martinsville Lofts. He added that there are more possible sites within Martinsville that now are being looked at for renovation, including some larger former factories and a former hotel. “These could provide high quality and affordable residential housing in the core of our city.”

Could the LIHTC financing partnership between government and private sector investors help bring exciting opportunities to your community's affordable rental housing? To learn more about the federal Low-Income Housing Tax Credit program, visit vhda.com or call Jim Chandler, director of LIHTC Programs, at 804-343-5786 or e-mail jim.chandler@vhda.com. 

About the author

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